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Economic statistics: statistics of international trade in services

Report of the Task Force on Statistics of International Trade in Services

Note by the Secretary-General

1. The Secretary-General has the honour to transmit to the Statistical Commission the report of the Task Force on Statistics of International Trade in Services (Convener: Organisation for Economic Cooperation and Development), which is contained in the annex. The report is transmitted to the Commission in accordance with a request of the Statistical Commission at its thirty-first session.[1]

Points for discussion

2. The Commission may wish to:

(a) Comment on the work accomplished by the Task Force for the finalization of the draft manual on statistics of international trade in services (PROV/ST/ESA/STAT/SER.M/86);

(b) Approve the manual as an international recommendation;

(c) Comment on the proposed phased implementation of the manual.

Notes

[1] *Official Records of the Economic and Social Council, 2000, Supplement No. 4* (E/2000/24, para. 1).

* E/CN.3/2001/1.

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Annex

Report of the Task Force on Statistics of International Trade in Services

1. The Task Force on Statistics of International Trade in Services has produced a final draft of the proposed manual on statistics of international trade in services during 2000. The Task Force respectfully submits this final draft manual (PROV/ST/ESA/STAT/SER.M/86) to the Statistical Commission for its approval as an international manual

2. The Task Force is convened by the Organisation for Economic Cooperation and Development (OECD), and consists of members of the World Trade Organization (WTO), the United Nations Statistics Division, the International Monetary Fund (IMF), the European Commission and the United Nations Conference on Trade and Development (UNCTAD). In the preparation of the draft manual, the Task Force has benefited from the advice of a number of very experienced consultants and from the active help of some national statistics organizations.

3. The draft manual is designed to serve a broad spectrum of statistical needs but places special emphasis on those of the General Agreement on Trade in Services (GATS). As far as possible, it builds on rather than suggests modifications to existing standards for compilation, in particular the fifth edition of the IMF *Balance of Payments Manual* (BPM5) and the System of National Accounts, 1993 (1993 SNA). Nonetheless, the draft manual takes a broader view of international trade in services than the conventional balance of payments perspective set out in BPM5.

4. To be more specific, the manual provides a more detailed classification of services delivered through conventional trade between residents and non-residents than is contained in BPM5, includes a treatment of local delivery of services through a foreign commercial presence and takes a first step towards linking these two systems. The manual discusses various "modes of supply" described in GATS through which services can be delivered, and provides recommendations for a statistical treatment of these modes. Links to existing statistical frameworks are described and correspondences provided from the classifications used in the manual to the Central Product Classification (CPC), version 1.0, the International Standard Industrial Classification of Economic Activities (ISIC), Revision 3 and the GATS services negotiating list. In a few areas, the manual identifies the need for further development work after publication. A more complete summary of the manual is provided in appendix I.

5. The manual proposes a phased approach to implementation of its recommendations so that countries, including those that are beginning to develop statistics on international trade in services, can gradually begin to structure available information in line with this new international standard framework. The sequence of recommended elements takes into account the relative ease that many compilers may find in their implementation. However, the order is quite flexible, so that countries can meet the priority needs of their own institutions. Full implementation — to be seen as a long-term goal — would represent a considerable increase in the detail of information available on trade in services but should be viewed as a compromise between the very detailed needs of users and the difficulty of data collection on trade in services experienced by compilers.

6. An extensive consultation and review process has been undertaken in the preparation of the manual. A chronology of that process is contained in appendix II. In addition to review by a range of expert groups and public availability of drafts on the OECD web site, a draft of the manual was circulated in November 1999 by the United Nations Statistics Division and IMF to the statistical organizations and central banks of all their member countries for a worldwide review. Copies were also sent to members of the Voorburg Group on Service Statistics and other interested parties. Responses were received from about 70 countries and were on the whole very supportive, although some respondents warned that some of the data breakdowns suggested would be difficult to collect. On the other hand, a very few countries favoured a more ambitious approach.

7. In July 2000, the United Nations convened an expert group to review a draft of the manual and to recommend to the Statistical Commission the next steps to be taken in the preparation of the manual. The experts represented both users and producers of statistics, including national statistical offices, data

compilers, users from business and trade negotiators. Their conclusions are summarized below.

8. The experts noted the importance of the manual for the work on statistics of international trade in services, and commended the Task Force for its work in preparing the draft manual.

9. The experts recommended that the Task Force make a number of changes to improve the presentation of the manual, including final editing, before its submission to the Statistical Commission in 2001. These recommendations have been addressed by the Task Force and as far as possible changes accommodated in the final draft.

10. The experts requested that the Statistical Commission consider future actions, after publication of the manual, including a decision on which agency or agencies will be the international collector of data on trade in services and ways to further the implementation of the manual, as proposed below.

11. The experts also recommended that:

(a) A user's manual on data collection for international trade in services be prepared, supplementing already existing international compilation guidelines, which should have a priority in the medium-term plan for implementation of the manual;

(b) A procedure be put in place to assess the different phases of countries' implementation of the manual and record existing pilot projects for data collection. Information on methodological approaches and experiences should be accessible to all interested parties;

(c) Future development work focus on such areas as telecommunications, financial services, Internet-related services and movement of natural persons, and engage producers and users of statistics, including trade negotiators, business users and statistical compilers;

(d) The Statistical Commission encourage national statistical offices and central banks to allocate adequate resources for the successful implementation and further development of international trade in services statistics, as proposed in the manual.

12. The Task Force endorses these recommendations and invites the Statistical Commission to respond.

Appendix I

Summary of the manual on statistics of international trade in services

1. This first manual on statistics of international trade in services has been prepared to meet the needs of a variety of producers and users of statistics. A particular impetus for the preparation of a separate manual on statistics of international trade in services has been the recent tendency for international trade agreements to cover services as well as goods, and the need for statistics both to guide the negotiations relating to these agreements and to monitor the outcomes.

2. While the manual broadens the statistical definition of international trade in services, it does so by building upon rather than modifying internationally agreed standards for statistical compilation. It provides a framework and a set of recommendations that will allow for the provision of a range of statistics on international trade in services. These recommendations are summarized in chapter 1 and elaborated on in the remainder of the manual. Chapter 2 proposes the framework and describes its links to existing international standards and frameworks. Chapter 3 focuses on the compilation of statistics relating to resident/non-resident trade in services, building on the balance of payments framework described in the fifth edition of the BPM5. Chapter 4 recommends standards for compiling statistics on "foreign affiliates trade in services" (FATS), drawing to a considerable extent on the concepts and definitions of the 1993 SNA in a way that is consistent with the expected recommendations of the forthcoming OECD manual on economic globalization indicators.

3. The manual describes four modes through which services may be traded internationally. It does so by considering the location of both the supplier and consumer of the traded service. The first of these modes, mode 1 or "cross border supply", applies when suppliers of services in one country supply services to consumers in another country without either supplier or consumer moving into the territory of the other. Mode 2, "consumption abroad", describes the process by which a consumer resident in one country moves to another country to obtain a service. Further, enterprises in an economy may supply services internationally through the activities of their foreign affiliates abroad. This mode of supply, mode 3, is called "commercial presence". The last of these modes of supply, mode 4 or "presence of natural persons", describes the process of supply of service when an individual moves to the country of the consumer in order to provide the service.

4. The BPM5 framework contains, among other things, recommendations for the definition, valuation, classification and recording of resident/non-resident trade in services. By building on this framework, the manual recommends extending the BPM5 classification of transactions by type of service to provide more detail through the Extended Balance of Payments Services (EBOPS) classification. A correspondence table showing the relationship between the EBOPS classification, CPC, Version 1.0, and the GNS/W/120 list (the GATS list of services for trade negotiation) is included as an annex to the manual. This table assists in the provision of clear definitions of the various components of the EBOPS classification. Except for the treatment of construction services, the recommendations contained in the manual are consistent with BPM5. Thus, a country's balance of payments statistics will provide many of the data that are needed to implement the recommendations relating to the measurement of resident/non-resident trade in services. Recommendations are made in the manual on the attribution of resident/non-resident transactions across the modes of supply.

5. As well as providing services by way of trade between residents and non-residents of an economy (measured in balance of payments statistics), enterprises in an economy may also supply services internationally through the activities of foreign affiliates abroad. The manual recognizes this in its discussions on and recommendations for FATS statistics, which comprise the major part of the third mode of supply, commercial presence. Included are recommendations on (a) the selection of foreign affiliates to be covered (which follows the definition of foreign-controlled enterprises used in the 1993 SNA);[a] (b) the attribution of FATS statistics, including a discussion on attribution by activity and by product; and (c) the variables to be compiled. Although this is a less well developed area statistically than the balance of payments statistics, some FATS statistics for foreign-owned affiliates in the compiling economy may be found in or derived from existing statistics on domestic production, including national accounts

statistics based on the recommendations of the 1993 SNA.

6. The recommended basic FATS variables discussed in the manual are: sales (turnover) and/or output, employment, value added, exports and imports of goods and services, and number of enterprises. Additional FATS variables considered relevant are also identified. The definitions of these variables are drawn from the 1993 SNA.

7. For both resident/non-resident trade and FATS statistics, the manual recommends the compilation of trade by partner country.

8. Finally, one area in which the manual moves beyond existing statistical frameworks is the area in which services in one country are provided by individuals (described as "natural persons") from another country moving to the first country on a non-permanent basis to take up employment. This area, which is part of mode 4, is one in which countries have made commitments under GATS, and although some limited data are available from balance of payments statistics, there is a need for development of statistics in this area to supplement the statistics currently available on employment and migration of foreign nationals. Consequently, on this subject there is only limited discussion on and recommendation for compiling relevant statistics in the main text of the manual, but relevant issues are discussed more fully in annex 1 of the manual.

9. The manual proposes a phased approach to implementation so that countries, including those that are beginning to develop statistics on international trade in services, can gradually begin to structure available information in line with this new international standard framework. The sequence of recommended elements, as summarized in chapter 1, takes into account the relative ease that many compilers may find in their implementation. However, the order is quite flexible, so that countries can meet the priority needs of their own institutions. Full implementation — to be seen as a long-term goal — would represent a considerable increase in the detail of information available on trade in services, but should be viewed as a compromise between the very detailed needs of users and the difficulty experienced by compilers in collecting data on trade in services.

Notes

[a] This is implemented statistically as covering affiliates that are majority-owned by a direct investor.

Appendix II

Chronology of actions, consultation and review thus far taken by the Task Force on Statistics of International Trade in Services for the preparation of the draft manual on statistics of international trade in services

Date location	*Activity*
1994	Request from the General Agreement on Tariffs and Trade (GATT) and UNCTAD to the Statistical Commission and resulting formation of the Inter-Agency Task Force. The purpose of the Inter-Agency Task Force is to strengthen cooperation between international organizations in the area of trade in services statistics and to promote the development of concepts and definitions and classifications.
1996	Drafting begins of the manual by the Task Force in order to meet the needs of GATS and other users.
1997	
February New York	Review of the report of the Task Force by the Statistical Commission.
22-24 October Washington, D.C.	Review by the IMF Committee on Balance of Payments Statistics of a report entitled "Concordance between the BPM5 classification of services, the Joint OECD/Statistical Office of the European Communities (Eurostat) Classification of Services, and the Central Product Classification: status report".
24 and 25 November Paris	Review of the manual by OECD/Eurostat expert group on international trade in services.
1999	
March New York	Review of Task Force activities by the Statistical Commission.
31 May-4 June Curaçao	Review of the manual by the United Nations Workshop on the System of National Accounts and Classifications, organized by the United Nations Statistics Division, in collaboration with the Statistic and Economic Projections Division of the Subregional Office for the Caribbean of the Economic Commission for Latin America and the Caribbean and with the Caribbean Community secretariat, hosted by the Central Bureau of Statistics of the Netherlands Antilles.
As of June	Successive drafts of the manual made publicly available, including placement on the OECD web site.
July Paris	Review of the manual by the OECD/Eurostat expert group on international trade in services.
27 September- 1 October Canberra	Review of the manual by the United Nations Workshop on Classifications, conducted by the United Nations Statistics Division in cooperation with the Statistics Division of the Economic and Social Commission for Asia and the Pacific, and hosted by the Australian Bureau of Statistics.
November	Worldwide review: mailing of the manual by the United Nations and by IMF to all heads of statistics of national and international statistical offices and to offices responsible for the compilation of the balance of payment statistics. Over 70 national and international offices responded.

Date location	*Activity*
27-29 October Washington, D.C.	Status report of the work of the Task Force presented to the IMF Committee on Balance of Payment Statistics.
18 and 19 November Paris	Review of chapter 4 of the manual by the OECD Globalization Workshop.
2000	
March New York	Review of Task Force activities by the Statistical Commission.
10-13 July New York	United Nations expert group meeting to review the manual.
14-17 August Tianjing, China	Asia-Pacific Economic Cooperation seminar of statistical reporting on services trade: current status and latest development of the manual presented.
3 October Geneva	WTO seminar on services statistics: current status and latest development of the manual presented.
25 October London	Meeting of the United Kingdom Royal Statistical Society: current status and latest development of the manual presented.
20-22 November Paris	OECD international trade statistics meeting: current status and latest development of the manual presented.
11 and 12 December Paris	Meeting of OECD/Eurostat experts in trade in services statistics: current status and latest development of the manual presented.
27 November- 1 December Addis Ababa	Review of the manual by the United Nations Workshop on International Economic and Social Classification.